

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-06 ISO-00 FEA-01 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01

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AMEMBASSY TEHRAN

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FLORENCE

AMCONSUL GENOA

AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL PALERMO

AMCONSUL TRIESTE

AMCONSUL TURIN

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TAGS: EFIN, ENRG, EIND, IT, IR

SUBJECT: ITALY-IRAN: PRESIDENT LEONE BRINGS HOME THE BACON

DEPT PASS TREASURY AND FRB

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REF: ROME 17150

1. SUMMARY: PRESS HAS FRONT PAGED PRESIDENT LEONE'S IRAN STATE VISIT AND VALUE OF PROJECTS ARRANGED; AS WELL, FINANCIAL TERMS ACCORDED ITALY AS PART OF PACKAGE. JOINT VENTURE IN PETROLEUM DISTRIBUTION PROMISED JANUARY. MORE THOUGHTFUL COMMENTARY HAS ALSO NOTED PSYCHOLOGICAL ASPECTS OF TRIP; GENERALLY, THAT ITALY'S ECONOMIC "CREDIBILITY" HAS BEEN PARTIALLY RESTORED BY SHAH'S COMMITMENTS. END SUMMARY.

2. ALL ITALIAN NEWSPAPERS FRONT-PAGED REPORTED PACKAGE OF ITALIAN-IRANIAN DEALS COMMITTED DURING PRESIDENT'S DECEMBER 15-19 STATE VISIT TO IRAN. FIGURES VARY, BUT TOTAL ESTIMATED BETWEEN US DOLLARS 4-10 BILLION, WITH MAJORITY IN US DOLLARS 5-6 BILLION RANGE. DEALS INCLUDE (A) 50-50 JOINT VENTURE AMMONIUM NITRATE/UREA FERTILIZER PLANT VALUED US DOLLARS 250 MILLION, TO BE BUILT BY ITALIAN STATE OIL COMPANY ENI'S CHEMICAL SUBSIDIARY ANIC; (B) 40,000 M.T./YEAR TIRE PLANT, TO BE BUILT BY PIRELLI; (C) STEEL MILL AND RELATED PROJECTS, PORT, SATELLITE CITY, BANDAR ABBAS DESALINATION PLANT, TO BE BUILT IN SOUTHERN IRAN BY STATE-CONTROLLED STEEL COMPANY FINSIDER; (D) SHIP-BUILDING FACILITIES CAPABLE OF PRODUCING 750,000 T./YEAR INCLUDING SUPERTANKERS UP TO 250,000 T. (E) TECHNICAL TRAINING ASSISTANCE. THAT THESE "DEALS" HAVE BEEN LONG TIME UNDER NEGOTIATION WIDELY RECOGNIZED IN PRESS; AS WELL, THAT MOST SOLELY AGREEMENTS IN PRINCIPLE, PROJECTS OR INTENTIONS TO PURCHASE. THUS, UNDERLYING NOTE OF CAUTION ALSO PRESENT.

3. VISIT ALSO NOTEWORTHY FOR AGREEMENT NOT FORMALLY SIGNED; SPECIFICALLY, THAT BETWEEN ENI AND IRANIAN NATIONAL OIL COMPANY (NIOC) WHICH WOULD GIVE NIOC 50 PERCENT SHARE IN EX-SHELL ITALY DISTRIBUTION NETWORK (BROUGHT LAST YEAR BY ENI) AND PART ENI RETAIL DISTRIBUTION IN AFRICA AND OTHER EUROPEAN COUNTRIES. ENI SPOKESMAN ANNOUNCED THAT TALKS ARE IN "FINAL PHASE" AND IT IS "HOPED" TO CONCLUDE AN AGREEMENT IN JANUARY, 1975. REPORTEDLY, ENI NEGOTIATING TEAM, INCLUDING COMPANY PRESIDENT GIROTTI, REMAIN TEHRAN TO FINISH NEGOTIATIONS. PRECISE STICKING POINTS NOT CLEAR, BUT PROBABLY RELATE TERMS IRANIAN PARTICIPATION AND PERHAPS ASSURANCES PROFITABILITY NOT PERMANENTLY JEOPARDIZED BY GOI DOMESTIC PETROLEUM PRICE STRUCTURE.

4. FINANCIAL ASPECTS HAVE BEST PROSPECT IMMEDIATELY ASSISTING LIMITED OFFICIAL USE

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ITALY. PRESS REPORTS THAT IRAN WILL MAKE IMMEDIATE LOAN OF US DOLLARS ONE RPT ONE BILLION (SOME SOURCES US DOLLARS 1.2 BILLION) AT 8-9 PERCENT INTEREST AS "ADVANCE PAYMENT"; THAT IS, TO PROVIDE LIQUIDITY FOR FIRMS ACTUALLY PERFORMING WORK. TERMS WOULD BE SIMILAR

TO IRANIAN LOANS PREVIOUSLY CONCEDED GREAT BRITAIN, FRANCE.

5. COMMENT: WHILE IT IS TOO EARLY TO EVALUATE ECONOMIC IMPACT IN

TERMS OF SIGNED CONTRACTS, EMPLOYMENT; LEONE VISIT CONTRIBUTED
SUBSTANTIALLY TO RE-LAUNCHING ITALO-IRANIAN COOPERATION AND HAS
IMPROVED ITALIAN DOMESTIC PSYCHOLOGICAL CLIMATE; IT MAY BE TOO
MUCH TO CLAIM AS DOES LA STAMPA THAT THE VISIT RESTORES ITALY'S
ECONOMIC CREDIBILITY A TALL ORDER, BUT IS CERTAINLY A SHOT IN THE
ARM. VOLPE

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